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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

1. Mideast
2. Iran

Key stories in the media:

The Israeli electronic media reported that a memorandum of understanding was signed this morning in Jerusalem between Israel

and the US on the new American defense package for Israel. Under Secretary of State for Political Affairs Nicholas Burns and US

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Ambassador to Israel Richard Jones signed the aid agreement with Foreign Ministry Director General Aharon Abramovitch, and met with FM Tzipi Livni. Under the new aid agreement, the US will transfer USD 30 billion to Israel over 10 years, compared with USD 24 billion over the past decade. Ha'aretz reported that Israel is slated to receive the first pay out in October 2008, amounting to USD 2.550 billion. That sum will grow each year by USD 150 million, until it reaches USD 3.1 billion in 2011. In addition, the agreement permits Israel to convert into shekels 26.3 percent of the aid money, thereby enabling it to procure defense equipment from Israeli companies. The rest of the aid must be used to purchase equipment from American military industries. Ha'aretz reported that Israeli negotiators tried to step up the percentage of aid that could be used for procurement from local companies, without success. Ha'aretz reported that on Tuesday PM Ehud Olmert met with Burns, in preparation for today's signing. Ha'aretz wrote that Olmert asked Burns to thank President Bush and Secretary of State Condoleezza Rice for their efforts in transforming the understandings with Olmert, reached during his last visit to Washington, into a binding agreement. Ha'aretz quoted Olmert as saying: "The aid agreement with the US is an important and significant component for Israel, and proves once again the depth of the relationship between the two countries and the United States' commitment to Israel's security, and to preserving its qualitative advantage over other countries in the Middle East." Ha'aretz reported that Burns also met Wednesday with Transportation Minister Shaul Mofaz, who oversees the strategic dialogue with the US. Mofaz and Burns agreed to hold a strategic dialogue in mid-October on Iran and Lebanon.

Yediot reported that Olmert and PA Chairman (President) Mahmoud Abbas are shaping up a final-status agreement and that they plan to present a document for approval to the participants of the international meeting in November. Yediot quoted Olmert as saying that he strives to reach understandings that will resolve the conflict.

Yediot reported that following reports about progress in talks between PM Olmert and Chairman Abbas, Saudi King Abdullah has decided to resume his participation in the peace efforts, and that he is personally involved in the secret preparations ahead of the Washington meeting.

Ha'aretz quoted GOI sources in Jerusalem as saying on Wednesday that Israel is working to promote an economic plan to complement the agreement of principles ahead of the regional conference later this year. Ha'aretz quoted a source as saying that the plan would provide an "economic horizon" with a number of future investment projects when the Palestinian state is declared. Ha'aretz quoted a senior GOI official as saying that the plan's goal is to "present the Palestinians with economic signposts along with the diplomatic signposts to show what can be accomplished." Ha'aretz reported that FM Tzipi Livni told foreign ministers and other officials in Europe that the plan needed international support. Makor-Rishon-Hatzofe quoted Livni as saying that economic projects cannot replace a diplomatic process between the sides. The "strategic" projects Israel has suggested so far include infrastructure improvements such as electricity and water, city planning in the West Bank and Gaza, rehabilitation of sewage systems and the establishment of a "peace corridor" in Jericho. Ha'aretz reported that Livni has presented the plan to the Quartet's Middle East envoy, Tony Blair.

The Jerusalem Post reported that following conciliatory signals from Abbas to Hamas, PM Olmert's office warned on Wednesday that any Fatah-Hamas unification would lead to a breakdown in the diplomatic process with the reconstituted PA.

Ha'aretz reported that Turkish officials trying to jump-start peace efforts between Syria and Israel told the newspaper that Israel should not view Syria as a branch of Iran because Tehran and Damascus differ on regional issues.

The Jerusalem Post reported that on Wednesday Israeli officials in Washington welcomed reports that the US is set to brand the Iranian Revolutionary Guards a terrorist entity, saying that the move could

help dislocate the "strategic backbone" of the regime in Tehran. In another development, The Jerusalem Post quoted Yayha Rahim Safavi, the commander of the Iranian Revolutionary Guard Corps, as saying that Iran has developed a missile that can penetrate the armor of an Israeli-made tank and a US-made Abrams tank. Safavi was also quoted as saying that Iran has land-to-sea missiles that can hit any ship in the Persian Gulf.

Maariv reported that the Winograd Commission is expected to tell the High Court of Justice that the public, not the commission, will determine the fate of public figures involved in the Second Lebanon War.

Major media reported that on Tuesday IDF forces uncovered and detonated a tunnel in the northern Gaza Strip, which was dug to facilitate a terror attack against Israel.

Ha'aretz reported that the Israeli group Physicians for Human Rights has filed a complaint against the IDF's Civil Administration's health coordinator, Dalia Basa, accusing her of negligent homicide. An 18-year-old Palestinian died at a roadblock after a traffic accident. He was not rushed in time to a Jerusalem hospital.

Ha'aretz reported that on Wednesday Defense Minister Ehud Barak warned that to sanction ideologically motivated refusal of orders by IDF troops is to jeopardize Israeli democracy.

Ha'aretz found that most West Bank settlements are outside the separation fence, but that the majority of the settlers live west of it.

Leading media reported that in three weeks Transportation Minister Shaul Mofaz will put an end to the guarding of buses because of the drop in terrorist attacks.

Ha'aretz and Yediot reported that the Deputy IDF Chief of Staff, Maj. Gen. Moshe Kaplinsky, and IDF Chief of Staff Gabi Ashkenazi, has decided that Kaplinsky will not be replaced next month as scheduled but that he will remain in office for several additional weeks. Ha'aretz noted that the reason for the delay was described as "personal," but it may also pertain to the rising tensions between Syria and Israel. Ha'aretz quoted army sources as saying that Ashkenazi is seeking to avoid unnecessary changes for the IDF at this sensitive point in time. The newspapers said that Kaplinsky's replacement is Maj. Gen. Dan Harel, military attache in Washington.

Yediot reported that Likud Chairman Binyamin Netanyahu has received 2 million shekels (around USD 470,000) in donations to finance his competition in the Likud primary. Yediot quoted his office as saying that he only gets monies from US Jews to avoiding conflicting interests in Israel. However, Yediot found that some of the donors are linked to business people in Israel.

The Jerusalem Post quoted the American magazine GQ as saying that Howard Kohr, the executive director of AIPAC, is Washington's sixth most powerful person.

Leading media reported that the data released this month by the GOI's Central Bureau of Statistics indicate an inflationary trend, as the Consumer Price Index rose by 1.1 percent.

Yediot and Israel Radio reported that as part of the celebrations of the 60th anniversary of Israel's independence, Knesset Speaker Dalia Itzik plans to reenact the historic UN vote on the partition of Palestine, with the participation of 33 ambassadors from the countries that voted in favor of the November 29, 1947 resolution. The media reported that Itzik invited UN Secretary-General Ban Ki-moon to take part in the event.

All media cited a report by a committee investigating aviation safety in Israel as saying that the condition of civil aviation is critical and that Ben-Gurion Airport is incapacitated.

I. Mideast:

Summary:

Diplomatic correspondent Shimon Shiffer wrote in the mass-circulation, pluralist Yediot Aharonot: "If [Prime Minister Olmert and Chairman Abbas] succeed in working out an initial arrangement for peace between Israel and Palestine, Olmert can expect to chalk up a significant achievement in the international conference in Washington -- recognition of Israel from such countries as Saudi Arabia and the Persian Gulf emirates."

Military correspondent Amos Harel wrote in the independent, left-leaning Ha'aretz: "Whether war will break out in the summer or in fall is not up to Assad alone. It also depends on how much restraint Israel shows."

Yossi Ben-Aharon, who was director-general of the Prime Minister's Office under former prime minister Yitzhak Shamir, argued in the popular, pluralist Maariv: "Arab aggression against the Jews, including that of Arabs in the Land of Israel, led to mass flight and emigration in both directions."

Block Quotes:

I. "The Goal: An Agreement by November"

Diplomatic correspondent Shimon Shiffer wrote in the mass-circulation, pluralist Yediot Aharonot (8/16): "Ehud Olmert wants to go down in history as the prime minister of peace and not as the prime minister of war. His goal is to work out the principles of the permanent status arrangement with the Palestinians within two-three months. On the Palestinian side of the table is a leader who does not have a lot to lose, after basically losing the Gaza Strip -- Abu Mazen. The two, who have been meeting regularly lately under American pressure, decided to use their time together to work and dove straight into the deep water -- serious talks on the main issues in dispute -- Jerusalem, refugees and permanent borders.... Olmert revealed to [a Congressional delegation that visited Israel this week] that he and Abu Mazen will make an effort to formulate the principles of the permanent status arrangement before the international conference. Olmert explained to his guests that very few Israelis believe today that it is possible to reach an arrangement with the Palestinians and to implement it on the ground. 'Nonetheless,' he added, 'it is worth trying to reach agreements with Abu Mazen on the core issues that created the conflict'.... If the two leaders succeed in working out an initial arrangement for peace between Israel and Palestine, Olmert can expect to chalk up a significant achievement in the international conference in Washington -- recognition of Israel from such countries as Saudi Arabia and the Persian Gulf emirates. It is important to note that even if written understandings are reached, Olmert will be able to control the timetable for their implementation, at least until the Palestinians prove they are capable of controlling their state."

II. "Restraint and Strength"

Military correspondent Amos Harel wrote in the independent, left-leaning Ha'aretz (8/16): "Whether war will break out in the summer or in fall is not up to Assad alone. It also depends on how much restraint Israel shows in the face of attempts to drag it into a conflict. Last year, Olmert failed this test in the North. This time, he has a defense minister and chief of staff who know the Syrian arena. He should not be tempted to prove our superiority this time around. Olmert, [Defense Minister Ehud] Barak and [IDF Chief of Staff Gabi] Ashkenazi's main challenge is still to prevent war, not win it."

III. "Our Refugees"

Yossi Ben-Aharon, who was director-general of the Prime Minister's Office under former prime minister Yitzhak Shamir, argued in the popular, pluralist Maariv (8/16): "Prior to the 'peace conference' planned for this fall, Arab leaders warn that this time the conference must discuss the 'core' issues of the conflict,

otherwise, they threaten, there is no point in holding it. These subjects refer to borders, Jerusalem and refugees. UN Resolution 242, which to this day is used as the basis for negotiations on an arrangement, includes a call for a just solution to the refugee problem.... Arab aggression against the Jews, including that of Arabs in the Land of Israel, led to mass flight and emigration in both directions. Therefore, there are no grounds to the argument that the Palestinians have first ownership rights to the Land of Israel, nor to the argument that derives from this regarding the Palestinian refugees' 'right of return'.... It is time that the government of Israel adopted an overall two-pronged approach with moral, political and PR validity: 1) The international community twice recognized the historical link of the Jewish people to the Land of Israel (by the League of Nations and the UN) and its political rights as derived from this. 2) Jews from Arab countries (who make up about half of the population in Israel) have basic rights to self determination, focusing specifically on the Land of Israel, as a result of population swaps that the Arabs forced on them with their aggression, and this is above and beyond their religious and historic link to the Land of Israel. Adopting this line will provide an effective answer to the campaign of delegitimization against Israel, and will utterly reject the Palestinian refugeesQ demand for the 'right of return.'"

12. Iran:

Summary:

Op-Ed Page Editor Ben-Dror Yemini wrote in the popular, pluralist Maariv: "[Mahmoud Ahmadinejad] wants to impose Islam on the world -- no less."

Block Quotes:

"The Tehran Tyrant"

Op-Ed Page Editor Ben-Dror Yemini wrote in the popular, pluralist Maariv (8/16): Quietly, without being seriously discussed in most world media, the Iranian President clarified this week that his goal is neither Israel nor the elimination of Zionism. In fact he made clear remarks about his immediate, present intentions. He is going for something much bigger. He wants to impose Islam on the world -- no less..... What more should be understood for the West to wake up? Let us leave aside the 'progressive forces' whose strength is great in the Western media and academe. Where are the leaders? Where are the people with a real conscience? Where are the historians who have not yet lost their compass in the face of the terror police of the politically correct? Why are they not calling the tyrant by name? The world is silent. Only a miracle will cause it not to pay."

JONES